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## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NIC No. 0741/83  
26 January 1983

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

THROUGH : National Intelligence for Warning

FROM : Milton Kovner  
National Intelligence Officer for Western Europe

SUBJECT : Monthly Warning Assessment: Western Europe

Greece

1. Recent economic measures by the Papandreou government -- devaluation of the drachma, wage restraints and import restrictions -- are unlikely to avert an increasingly parlous balance of payments picture (at year's-end, foreign exchange reserves were little more than three weeks of imports) or stem gradual erosion of the government's political standing at home. Economic difficulties, moreover, could reinforce government intentions to elicit substantial economic and military assistance in current base negotiations with the US and toughen its negotiating posture. On the eve of the third round of these talks, the Greeks protested US emergency landings at Souda Bay, [redacted]

[redacted] and contested US approval of Egyptian F-4 sales to Turkey, hinting that the latter could adversely affect the base talks. Such actions could presage Greek intention to restrict activities at the bases, particularly those for which no specific authorization exists, if no forward movement is achieved during the current round of base talks. [redacted]

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Italy

2. An anti-inflation pact between labor and management (announced on January 23) will improve the chances for the immediate survival of the Fanfani government. The possibility of early elections will nevertheless remain touch and go for the next several months -- despite the apparent wariness of the major parties towards an electoral test at the moment -- as recriminations intensify between Christian Democrats, Socialists, and Communists over sharing the blame or credit for economic austerity measures. Elections soon would be unlikely to show any major shifts in party strength; although the probability is not high, in the event of another stalemate, a "national unity" government, with some sort of Communist participation, remains possible.

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UK

3. The odds may be improving for a 1983 election, despite Prime Minister Thatcher's repeatedly expressed preference for serving a full parliamentary term. Little, if any, improvement is foreseen for the economy over the year, and this may contribute to Conservative fears over erosion of its current 12 percent lead over Labor in opinion surveys. October remains marginally more probable than June for early elections; reapportionment of electoral districts, which will favor the Conservatives, will not be accomplished before June at the earliest. Thatcher's timing may ultimately depend on how well the government -- and especially newly appointed Defense Minister Haseltine -- seems to be doing in defending its defense policies, including INF deployment, that are increasingly under attack from the Labor and Liberal/Social Democratic opposition.

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West Germany - USSR

4. Gromyko's visit to the Federal Republic has not been decisive in gaining or losing support for INF, but it has contributed to the growing centrality of INF deployment in the campaign for the March 6 elections. On the official level, nothing was conceded to Gromyko on the firmness of INF deployment. Nevertheless, Chancellor Kohl's adherence to the zero-zero option is increasingly buffeted, on the one hand, by SPD (and some FDP) calls for "flexibility" and, on the other, by rejection of it by CSU leader Franz Josef Strauss because he fears it is tantamount to non-deployment. Facing an increasingly uncertain election outcome, Chancellor Kohl may ultimately seek some sign of US flexibility -- but only if a change in the US position were first coordinated with Bonn.

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France - USSR

5. French Foreign Minister Cheysson's visit to Moscow on February 16-18 will, to French regret, take place very much in the shadow of the imminent German elections and the attempts of Paris and Moscow to influence German voters in opposite directions on INF. Although the Soviets may want to play down the INF issue with France, Cheysson, at a minimum, can be expected to reiterate firm French opposition to reduction of its nuclear forces short of significant disarmament by the superpowers. The disagreements between France and the USSR on INF, Poland, and Afghanistan are real and deep, yet both sides have an interest in reviving a dormant high-level political dialogue. On the French side is the consideration -- particularly relevant prior to the important March local elections -- that, as former Prime Minister Barre said recently, France cannot afford not to be talking to the Soviets. The outlook is nevertheless for a critical dialogue; the "softest" area may be East-West economic relations, where France can take positions amenable to the Soviets while remaining consistent with its traditional stance of "independence" vis-a-vis East and West.

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